

23 members sign on to Rep. Welch bill taxing TARP bonuses of \$50,000 or more at 50 percent

Momentum continued to build Thursday for a tax on excessive Wall Street bonuses as 11 House members held a Capitol Hill press conference to rally for the Wall Street Bonus Tax Act (H.R. 4426).

Introduced by Rep. Peter Welch (D-Vt.) earlier this week and cosponsored by 23 House members, the bill would tax bonuses at firms that have received assistance through the Troubled Asset Relief Program at a rate of 50 percent for all bonus compensation in excess of \$50,000. Revenues generated through the tax would fund a new direct lending program administered by the Small Business Administration (SBA).

Cosponsors of the bill include: Reps. Doggett, McDermott, McGovern, Hinchey, DeFazio, Cohen, Cardoza, Massa, Sutton, Slaughter, Schakowsky, Yarmuth, Hare, Garamendi, Capps, Kildee, Teague, Rothman, Michaud, Courtney, Braley and Kagen.

"Fifteen months after the American taxpayer threw Wall Street a life preserver, its biggest firms are about to break their own records of lavish, excessive and unearned bonuses. Paid for by hardworking Americans who continue to struggle through tough economic times, these bonuses are Exhibit A that Wall Street has not learned its lesson," said Rep. Peter Welch. "When you see a bank being robbed, you try to stop it. My bill will put an end to this breathtaking heist."

"We're having this press conference early in the morning, because it is time for a wake-up call. With double-digit unemployment in a recession they helped cause, there's no justification for 7 or 8 digit banker bonuses. Every American knows about the speed limit. Today we propose a tax for those exceeding the greed limit. They don't get it. This bill talks to them in the only language they understand," said Rep. Lloyd Doggett. "All they ever ask for is bigger and bigger slices of the American pie, but they never want to help bake it. We're going to give them a chance to contribute some dough."

"This is about economic justice," said Rep Jim McDermott. "CEO pay at large Wall Street firms is now about 300 times that of the average worker, and yet unemployment is at 10 percent,

more than 2 million homes were lost last year, and there are 6 unemployed people for every available job. Excessive doesn't begin to describe this practice—it's unconscionable. The TARP money we gave them last year was intended to help stabilize the economy, not line the pockets of executives. Hopefully this legislation will help them get the message."

With ten percent of Shelby County citizens unemployed, we need to be doing more to create jobs and promote small business development," said Rep. Steve Cohen. "The same Wall Street bankers who just last year came to Congress looking for a taxpayer bailout are now preparing to award record-breaking bonuses. That's just not right. During these tough economic times, financial firms should be taking their windfall profits and helping to promote economic development – especially in the poorest communities in our country."

"As we are all now painfully aware, it was Wall Street greed and a lack of sincere government oversight that drove our entire financial system onto the brink of collapse, forcing Congress to save our banking sector from the excess of its own mismanagement," said Rep. John Garamendi. "It's time we repaid the American taxpayer. This legislation will provide needed money to the small business owners around this country who are eager to expand and hire new workers."

Wall Street banks are expected later this week to announce bonus packages for the year. According to the New York Times, five of the biggest banks to receive federal assistance last year – Citigroup, Bank of America, Goldman Sachs, JPMorgan Chase and Morgan Stanley – have collectively set aside \$90 billion for compensation. Goldman is expected to pay employees an average of \$595,000, while JPMorgan is expected to pay an average of \$463,000.

Welch's bill follows similar actions taken by Great Britain and France to tax excessive bonuses. A 50 percent tax on bonuses above 25,000 pounds in the United Kingdom is expected to raise more than 2 billion pounds in revenue – roughly \$3.2 billion.

Revenue generated by H.R. 4426 would fund a temporary, direct small business lending program modeled after the SBA's 7(a) loan program. It would offer low-interest, government loans to otherwise healthy businesses that are having trouble obtaining the credit they need for operating expenses and expansion.

Welch's SBA direct lending program would help compensate for a distinct drop in lending to small businesses by TARP recipient firms. According to CNN, the 22 banks receiving the most in Treasury assistance have scaled back small business lending by \$11.6 billion since April last year.